

Revised FISCAL IMPACT STATEMENT ON BILL NO. **S.332, as Amended on May 9, 2007**

(Doc. No. jud0047.lam.doc)

TO:	The Honorable Harry F. Cato, Chairman, House Labor, Commerce and Industry Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Beth Campbell, Ken Brown, and Allan Kincaid		
DATE:	May 16, 2007	SBD:	2007378

AUTHOR:	Senator Martin	PRIMARY CODE CITE:	42-1-172
SUBJECT:	Workers' Compensation Reform		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

See Below

BILL SUMMARY:

Senate Bill 332, as amended, would amend multiple sections of the Code of Laws of South Carolina, 1976, affecting the payment of workers' compensation claims, the number of Workers' Compensation Commissioners, and the dissolution of the Second Injury Fund.

EXPLANATION OF IMPACT:

Workers' Compensation Commission

The Commission reports it would require 8.00 new FTEs for four Commissioners and four Administrative Assistants at an annual cost to the General Fund of \$1,060,000 for salary, fringe and other operating expenses. There would also be a non-recurring cost to the General Fund of \$61,200 for other operating expenses due to office setup.

Attorney General's Office

The Office reports it would require 1.00 new FTE for a Forensic Accountant at an annual cost to the General Fund of \$108,800 for salary, fringe and other operating expenses.

State Budget and Control Board

Since Section 17(A)3 of the Bill provides that funding for the audit and report must be obtained from funds deposited in the fund's trust fund, there will be no impact on the General Fund of the State.

State Accident Fund

The Agency indicates this Bill has the potential for an overall reduction in the cost of workers' compensation claims. However, the agency is unable to estimate the reduction in claims expenses due to the multiple numbers of factors involved. Dissolution of the Second Injury Fund may indirectly result in a minimal increase in premiums. However, this increase is anticipated to be short-term and is projected to be offset by anticipated savings noted in this Bill.

Second Injury Fund

The Second Injury Fund reports that the agency would continue to reimburse claims at the current level and would not be below the \$8 million threshold on June 30, 2012. This would cause the Fund to be sunset per Section 42-9-400(D)(2), outlined in the Bill. There will be no impact to the General Fund of the State.

Judicial Department

The Department indicates this Bill will have an impact on the General Fund of the State of at least \$748,539 in personal service and operating cost for two additional Appeals Court Judges and their staff (1.00 Administrative Assistant and 2.00 Attorney's each) . This impact is due to the changes in the appeals process of Workers' Compensation cases from the circuit court to the Court of Appeals. These additional costs are based on an estimated 240 cases to be heard by the Court of Appeals. Other cost to the Department would include building renovation for which there is no readily available estimates.

Other Agencies

The Department of Insurance, Administrative Law Court, and the Department of Corrections each indicate enactment will have no impact, or a minimal impact, on agency expenditures.

Recapitulation

There will be an annual cost to the General Fund of \$1,917,339 with 17.00 new FTEs and a non-recurring cost to the General Fund of \$61,200. However, there will also be a savings of General, Federal and Other Funds based on reduced claims costs. Estimated savings amount is undeterminable.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

The Second Injury Fund has indicated the dissolution of the Fund would lead to an increase in workers' compensation insurance premiums for private employers. The increase, based on NCCI estimates, could be as much as 17%.

The italicized portion of this impact indicates the items that have been revised. For this impact, the revised constitutes information that was not available in the original impact.

Approved by:



Harry Bell
Assistant Director, Office of State Budget